

White Paper

Category: Timely Use of Funds

Issue: Project Initiation and the 16 month rule

Problem:

Issues have arisen regarding project initiation at the current 16 month rule time limit as well as project progress and completion in a timely way. Some projects have had trouble getting started or lining up pre-project requirements and have passed the 16 month time limit for project initiation. Some of these had started work on the project based on pre-project requirements and thus had not billed any cost to the project, giving the appearance that no progress was being made. A limited number of projects have run into real problems that have impeded initiation and progress based on readiness-to-proceed issues (necessary landowner agreements, loss of staff, lack of project priority, etc...).

Other projects have had problems completing the project within the agreement specified time frame and/or within the 5 year limit.

Background:

Time limits were implemented in rule to address problems with project readiness to proceed and progress, that affect both initiation of work and completion of the projects.

Current Rule Language

□ *Chapter 173.95A WAC, Uses and Limitations of Centennial Clean Water Funds*

WAC 173-95A-100 How are grants and loans managed?

(1) Timely use of funds: Projects funded with loans or grants from the centennial fund must be spent in a timely fashion so that funds are put to work for the water quality of the state as soon as possible. To accomplish this, certain time restrictions are placed on the use of funds as follows:

(a) Work on a project must be started within sixteen months of the publication date of the final offer list on which the project was proposed.

(i) Any expenditure of funds which is eligible for reimbursement under the terms of the loan or grant agreement constitutes starting the project.

(ii) No more than one time extension of no more than twelve months may be made when there are valid reasons for the extension and when the extension is included in the signed funding agreement with the department.

(iii) Valid reasons for a time extension allowing a start date more than sixteen months after the publication date of the final offer list are limited to:

(A) Schedules included in water quality permits, consent decrees, or enforcement orders; or

(B) The recipient and the department agree that there is a need to do work during an environmental window in a specific season of the year.

(iv) If the funding recipient has one of these valid reasons to wait longer than sixteen months to start the project, the reasons why it will take longer and the schedule the recipient will follow must both be stated clearly in a signed loan or grant agreement.

(b) Work on a project must be completed within five years of the publication date of the final offer list on which the project was proposed or within a shorter time period if the shorter period is identified in the funding agreement for the project. When all work identified in the funding agreement scope of work is finished, the project is deemed to be completed. After the five-year time limit is reached, no further expenditures may be reimbursed unless an extension is made.

- (i) No more than one time extension of no more than twelve months may be made when there are valid reasons for the extension; and
 - (A) The extension is requested no less than three months before the funding agreement is due to expire; and
 - (B) The department's water quality program manager agrees that the extension is for a valid reason.
 - (ii) Valid reasons for a time extension are limited to:
 - (A) Schedules included in water quality permits, consent decrees, or enforcement orders; or
 - (B) The recipient and the department agree that there is a need to do work during an environmental window in a specific season of the year.
 - (iii) If the funding recipient has one of these valid reasons to be allowed a time extension, the reasons why it will take longer and the schedule the recipient will follow must both be stated clearly in a signed amendment to the existing loan or grant agreement.
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Recommendations to solve this problem:

1. Enforce the current rule: Keep the current 12 months to have a signed agreement with 16 months to initiate work and 5 years to complete the project with possible one year extension.
 - Keep the specified time extensions to the 16 month condition (perhaps with some rewording) but enforce the condition to keep projects on track or get them back on track quickly. This would require close monitoring by project managers to ensure projects are on track prior to the 16 month date.
 - Revise the language on what constitutes project initiation and progress for clarity and to include necessary pre-initiation requirements.
 - Still a question on what we do when the 16 month date arrives and no progress has occurred.
 - Automatic loss of funding if one of the exceptions does not apply.
 - Perhaps there should be a 2-month grace period within which the project needs to get back on track or lose funding. The recipient would be required to provide a detailed plan with deadlines to get the project on track and moving forward in a timely manner.
2. Change the rule requirements to allow only 9 months to sign an agreement with project initiation within 12 months. Keep the 5 year from list date timeframe for completion with possible one year extension.
 - Revise the language on what constitutes project initiation and progress for clarity and to include necessary pre-initiation requirements.
 - Still need enforcement of dates.

Pros and Cons:

Recommendation 1.

▼ Pros

- Minimizes rule important date changes, simply enforce the current rule.
- Keeps the 12 months to get agreements negotiated and signed, which may be difficult under a 9 month window.

- We can push recipients to get agreements completed earlier without painting ourselves into a box. Need to consider the intensive time commitments to the fall funding cycle and evaluation processes.

✦ **Cons**

- Would not provide the option to roll grant dollars from unsigned agreements to other projects due to the end date of the Biennial Budget. Funding obligation by agreement must occur by June 30, 2007 for the 2005-07 budget or funds.

Recommendation 2.

✦ **Pros**

- Gets projects moving quicker.
- Provides the option to roll grant dollars from any unsigned agreements to other priority projects before the end of the Biennial Budget time limit (June 30).
- May get us to implement a more efficient negotiation, review and routing process.

✦ **Cons**

- Squeezes the agreement negotiation, development and review process into a shorter timeframe that may result in a rushed agreement development process that leads to poorer quality agreements.
- Paints us into a corner to get a limited benefit on time – 4 month improvement.

Final Recommendation

The definition and measures of progress will not be limited to costs incurred. However, the specifics will be established in our Guidelines.